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THE TOBACCO ECONOMY -- 1960 REVIEW AND OUTLOOK

By GEORGE V. ALLEN
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Upon taking office as president of The Tobacco Institute, Inc., late in 1960, I was impressed with the record achievements of the tobacco industry during the past year and also with the promise of continued progress in 1961 and future years.

The tobacco economy in 1960 continued to set new records -- particularly in output, acceptance and use by a growing consumer population, and greater contribution to the social and economic well-being of the nation's agriculture, business and governments.

There is every indication that comparable progress will continue in the next and succeeding years.

The accomplishments of the industry stand out in any 1960 review, despite the fact that tobacco this year, as in other recent years, has continued to be subjected to attacks ranging from health scares to unfair taxation and labeling proposals.

To lend understanding to this seemingly paradoxical situation is one of the aims of the Tobacco Institute to which I hope to give impetus.

In its first three years, under excellent leadership and planning, the Institute has laid the foundation and built up a broad program to inform the American public of the real and broad significance of the tobacco industry in the nation, and indeed, the world. Along with the Tobacco Industry Research Committee, which has been sponsoring independent

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health research since 1954, the Institute has been helping to give the public an intelligent understanding of how science actually views the relationship between tobacco and health.

Facts are finally replacing opinions, and the general public is becoming aware of this. Medical and research scientists are seeking more intensively than ever to fit together all the many pieces that may some day yield the answer to the puzzle of cancer, especially lung cancer, and heart disease. Because of the steadily increasing long lives of our population, these ailments have become the number one subjects for medical research.

Certainly, a growing body of scientific research findings has failed to support the many charges thrown at tobacco use during the past few years. These charges come largely from statistical compilations attempting to establish a relationship between tobacco use and longevity -- this in a period when Americans are living, on the average, nearly 75 percent longer than they were 60 years ago. Statistics can be used to prove a variety of conclusions on this subject.

During the past year, the Tobacco Industry Research Committee increased to \$4 million the funds for its grants to researchers studying all aspects of tobacco use and human health. There could be no better indication of the determination of the tobacco industry to help solve these vexing questions. I have found that tobacco men are more interested in finding out the true facts about tobacco and health than anyone else. We are determined to search out every avenue of approach in this matter, as objectively as is humanly possible.

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The 1960 Records

Here are the 1960 records of the tobacco industry:

Total consumer expenditures for all tobacco products in the U.S. in 1960 are estimated at \$7.5 billion, up from \$7 billion in 1959.

For the sixth year in a row, cigarette output and use in 1960 showed a sizable increase. The year's total production of U.S. factories, the U.S. Department of Agriculture estimates, is 512 billion cigarettes. This is 22 billion more than in 1959 and 100 billion more than in 1955 -- or a rise of about 25 percent.

Sales of cigarettes in the U.S. (including overseas armed forces) are estimated at 489 billion, topping 1959 by 21.5 billion and surpassing 1955 by 94 billion. These estimates may prove to be conservative, when the final count for the year is in.

Users of cigarettes in 1960 spent about \$6.6 billion -- almost a half-billion more than in 1959. A substantial part of this rise reflects increases in state cigarette taxes during the past year and a half.

Per capita smoking of cigarettes in the U.S. amounted to 3,940 in 1960 (197 packs of 20), according to Department of Agriculture estimates which are based on the population of the age groups concerned. This is $3\frac{1}{2}$ percent more than in 1959 and 16 percent more than five years ago.

Use of cigars and cigarillos was up about $2\frac{1}{2}$ percent; smoking tobacco totaled 73 million pounds, about the same as last year; chewing tobacco dropped slightly to a total of about $65\frac{1}{2}$ million pounds; snuff totaled $35\frac{1}{2}$ million pounds -- up a million and a quarter pounds.

Taxes

Tobacco users continued to carry a disproportionate load of taxation. Total tax collections on cigarettes alone in 1960 are estimated at \$2.87 billion, compared to \$2.5 billion in 1959.

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The federal government collected \$1,846 million in cigarette taxes during the year. State governments collected \$965 million and municipal governments \$41 million. All three showed sharp rises over the previous year.

There were numerous increases in state tax rates during the past year and a half. Forty-seven out of the 50 states now have special cigarette levies.

Cigarette Exports

From years of personal experience abroad, I know that American tobacco products are among our good will ambassadors of longest standing. This is especially significant now, in view of the continued outflow of gold and the import-export imbalance. In the campaign to ship American products instead of gold abroad, the tobacco industry is in the front ranks.

Exports of the popular American cigarettes have risen steadily since the early 1930's. For the 1960 fiscal year ending June 30, they totaled 20 billion 56 million, up 8.8 percent from the previous year. Although cigarette exports to both Cuba and Venezuela have been virtually cut off since June, making a significant reduction, I am hopeful that these will be temporary set-backs.

Records For Growers

For tobacco growers there were also records in 1960. Flue-cured tobacco in the Southern states brought an average of 60.5 cents per pound. This was the highest average on record and compared with a net of 58.3 cents per pound in 1959. Department of Agriculture officials said that flue-cured leaf this year averaged 1,768 pounds per acre, compared with last year's previous record of 1,691 pounds. In 1950 the average was only 958.4 per acre.

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Burley tobacco also got off to a record start when the auction market opened at the end of November. (Burley and flue-cured are the chief ingredients of cigarettes.) Burley was averaging 67 cents per pound, compared to last year's 60.4 cents per pound. The Burley crop is estimated at 487.7 million pounds, down from last year's 496.6 million pounds.

Tobacco Farm Program Endorsed

Notable during the year were endorsements written by President-elect John F. Kennedy and Vice President Richard Nixon approving the tobacco crop control program. President-elect Kennedy called it "the one bright spot" in the agricultural situation. Both agreed that it was fair to the grower, the consumer, the government, and cost the taxpayer practically nothing. This is unique among agricultural support programs.

On the manufacturing side, expansion of company research facilities and programs continued during the year. New and improved products were introduced. Many plants were expanded for greater production. I have been particularly impressed with the architecture and landscaping of the new plants and research facilities I have seen. They are ornaments to the communities in which they are located. The industry continued to grow with the country, as it has done since John Rolfe grew the first commercial tobacco crop in the Jamestown Colony in 1612. With the construction of handsome and efficient new factories, the expansion of research laboratories, and the straightforward investigations of the health question, the industry is entering today into a new and adult age.

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